nova scotia power corporation

[illegible] ANNUAL REPORT

1984-85

3204.001

Contents

Letter of Transmittal	A
Corporate Information	2
Board of Directors	3
President's Report	4
Historical Comparisons	6
Financial Section	
Statistics	8
Financial Review	9
Management Report	10
Auditors' Report	10
Consolidated Statement of Operations	11
Consolidated Balance Sheet	
— Assets	12
— Liabilities and Equity	13
Consolidated Statement of	
— Retained Earnings	14
— Rate Stabilization Reserve	14
— Changes in Financial Position	15
Summary of Significant Accounting Policies	16
Notes to Consolidated Financial Statements	18
Comparative Statistics	21
Review of Operations	22
System Map	AA
Generation Statistics	Inside Back Cover

Cover

The beneficial impact that the Corporation has on the province is only possible because of the dedicated people who make up the Corporation.

FRONT: Paul MacEachern, Apprentice Lineman; **BACK** — (Clockwise from top left): Donna Harrie, Cathy O'Connor, Nancy Milbury, Ellen Millington, Suzanne Gadbois of Customer Service; an NSPC line crew providing service to customers; Machinist Paul West; Irene Wyse of Corporate Records; and Patti Waddell, Barry Arsenault, Richard Hicks and Jack Richardson, part of the Thermal Engineering team.

Letter of Transmittal

TO: His Honour
The Honourable Alan Abraham
Lieutenant-Governor of Nova Scotia

Sir:

I have the honour to submit herewith the sixty-fifth Annual Report of the Nova Scotia Power Corporation, together with financial statements for the fiscal year ended March 31, 1985.

The results of the past year are indicative of diligent management by the Officers of the Corporation and the efforts of all employees in providing service in their area of endeavour in the most efficient manner possible.

I am pleased to report that the Corporation has accomplished a great deal from both an operational and financial standpoint in meeting the electrical energy needs of Nova Scotia as part of the overall development of the province.

Respectfully submitted,

Joseph A. F. Macdonald, Q.C.
Chairman

Joseph A. F. Macdonald, Q.C.
Chairman

65th Annual Report
nova scotia power corporation

Corporate Information

Officers

Louis R. Comeau
President and Chief Executive Officer

Gordon D. Mader
Senior Vice-President (Retiring August 30, 1985)

Robert C. Fraser
Vice-President and Chief Financial Officer

Kenneth W. McGrail
Vice-President, Corporate and Public Affairs (Retiring May 31, 1985)

Daniel G. Brown
Vice-President, Planning

Leonard J. Sweett
Vice-President, Customer Services

Aubrey T. Jeffries
Vice-President, Personnel and Administration (Retiring June 30, 1985)

Edwin A. LeBlanc, Q.C.
Secretary and General Counsel

G. D. Lethbridge
Vice-President, Engineering and Production
(Effective April 11, 1985)

W. L. Fraser
Vice-President, Personnel and Corporate Services (Effective April 11, 1985)

Committees of the Board of Directors

Audit Committee

C. S. Smith *(Chairman)*
A. F. Bruce
J. C. Keating
G. J. McCulloch
R. C. Fraser *(Secretary)*
L. R. Comeau *(Ex officio)*

Compensation Committee

G. J. McCulloch *(Chairman)*
A. F. Bruce
R. A. Damery
J. G. MacDonald
L. R. Comeau *(Ex officio)*

Centennial Scholarship

L. K. Hill *(Chairman)*
L. R. Comeau *(Ex officio)*

Pension Committee

J. A. F. Macdonald, Q.C. *(Chairman)*
C. J. Creighton
M. B. Walker
R. C. Fraser
K. W. McGrail
A. T. Jeffries
L. R. Comeau *(Ex officio)*

Head Office:

Scotia Square
1894 Barrington Street
Halifax, Nova Scotia
Telephone 902-428-6230
Telex 019-21736

Mailing Address:

Post Office Box 910
Halifax, Nova Scotia
B3J 2W5

Auditors:

Peat, Marwick, Mitchell & Co.
Halifax

Bankers:

Bank of Nova Scotia
Royal Bank of Canada

Solicitors:

Cox, Downie & Goodfellow
Halifax

Transfer Agent and Registrar:

Banking and Corporate Trust Dept.
Nova Scotia Power Corporation

Board of Directors

Joseph A. F. Macdonald, Q.C.
Halifax
Chairman

Louis R. Comeau
Halifax

C. J. (Jake) Creighton
Dartmouth

G. James McCulloch
Halifax

Cecil S. Smith
Liverpool

James G. MacDonald
Sydney

Robert A. Damery
Bridgewater

Lloyd K. Hill
Port Williams

John C. Keating
Dartmouth

G. Douglas Macdonald
New Glasgow

M. Barbara Walker
Halifax

Allan F. Bruce
Truro

President's Report

The past year was a rewarding one for the Corporation.

Net earnings of $631,000 — while a relatively small return on assets of $1.4 billion — are a significant achievement in view of the fact that electric service rates remained unchanged and the Corporation's operating costs for fiscal 1984-85 increased by $32.4 million over 1983-84. Furthermore, the Corporation received no direct financial assistance from the Province of Nova Scotia.

This result is in contrast to a previously forecast deficit and can be attributed, in large measure, to the efforts of employees in the day-to-day operation of the Corporation and the confidence of Nova Scotia consumers in their utility.

Improved customer awareness by employees was witnessed and the productivity improvement trend continued, while the province's electrical users purchased 272 million kilowatt hours more than in 1983-84.

The *productivity study* conducted on behalf of the Corporation revealed improvement for the fourth consecutive year and projections indicate that this trend will continue. This, therefore, enables the Corporation to absorb some of its cost increases rather than passing them on to our customers.

Accordingly, between now and 1990-91, assuming productivity targets are achieved — and I am confident that they will be — and operating plans unfold as expected, the cumulative saving of the Corporation's customers is in direct proportion to the productivity gain of 6.47%, beneficially affecting electric service rates for Nova Scotia consumers.

The trend of Nova Scotia consumers and businesses to increase their reliance on electricity as an energy source also continued during 1984-85. Additional in-province electric sales of 272 million kilowatt hours resulted in increased revenue of $19 million over the previous year. Export sales also increased resulting in a revenue increase of $9 million over 1983-84.

The Corporation is owned by the people of Nova Scotia and plays a vital role in the ongoing development of the province.

Louis R. Comeau
President and Chief Executive Officer

The *socio-economic impact* that we have on this province is significant. The Corporation paid some $80 million last year in wages, salaries and benefits throughout the province. We are a capital intensive industry and last year our purchases of materials, supplies and services totalled $271 million, of which 85 per cent, or $231 million, was spent through manufacturers, distributors and/or agents right here in Nova Scotia. Of the remaining $40 million, $16 million was for oil.

The completion of the *Lingan No. 4* unit brought the total investment to over $500 million in the Lingan series of coal fired generating stations. We provided nearly 600,000 mandays of employment during construction; established a plant which employs, on a continuing basis, some 175 skilled personnel, and a plant which will burn in excess of one and a half million tons of Cape Breton coal annually, providing a stable market for this coal with all the inherent employment benefits.

The Corporation also plans to convert *Point Tupper No. 2* unit from oil to coal, another example of the beneficial impact that NSPC has on this province. This *$100 million project* will provide 180,000 mandays of employment during the construction phase with a peak work force of 430 Nova Scotia tradesmen.

For this project we will be spending approximately $57 million on goods and services with over 60 per cent of purchases through Nova Scotia suppliers thus creating further spin-off jobs. Additionally, this conversion will supply a market for another 250,000 tons of Nova Scotia coal in the early stages, increasing to 400,000 tons, creating a number of permanent jobs in the coal industry.

NSPC has a duty to the people of the province to assist in any reasonable manner in utilizing our indigenous resources.

In keeping with this commitment, the Corporation initiated several undertakings during the past year including the acquisition of the *Annapolis Tidal Power Plant*, continued research into alternative forms of energy and membership into the *Northeast Power Coordinating Council.*

In purchasing the Annapolis Plant at a cost of $27,914,848, the Corporation acquired a revenue producing asset of long-term benefit to our customers as an aid to the longer term tidal power research project.

Research into alternate energy sources was manifested by the testing program at Point Tupper into *Atmospheric Fluidized Bed Combustion*, as well as ongoing updating of methods and costs of such potential generating fuels as peat and waste wood.

In joining the Northeast Power Coordinating Council, the Corporation joins other utilities representing more than 98% of the electric generating capacity in the northeast section of North America. The purpose of the council is to promote reliability and efficiency of electric service in the interconnected systems of the members by extending the co-ordination of their system planning and operating procedures, thereby providing adherent benefits to customers of the utilities.

Concerted efforts continued during the past year in cooperating with industries, community groups and government departments and agencies in areas of rates, regulations, development and environmental activities. The Corporation is undertaking an extensive review of all aspects of customer service with a view to generally adopting a more customer oriented approach.

The search for ways to service the energy needs of Nova Scotia has promoted the Corporation to form a new *Department of Marketing* which is part of our new Customer Services structure aimed at increasing customer awareness.

The new department will identify, analyze and make recommendations for external growth. This department will assume responsibility for discovering new business opportunities, for developing new leads, for researching and developing the necessary rates and regulations to achieve our business objectives.

The Corporation has accomplished a great deal from an operational and financial standpoint. A prime goal is to get greater participation by Nova Scotians in NSPC. We are exploring methods for Nova Scotians to invest in their utility as one form of increased participation.

I wish to express my gratitude to the Board of Directors, the Officers and employees of the Corporation for their guidance, support, foresight and efforts in serving the electrical consumers of Nova Scotia.

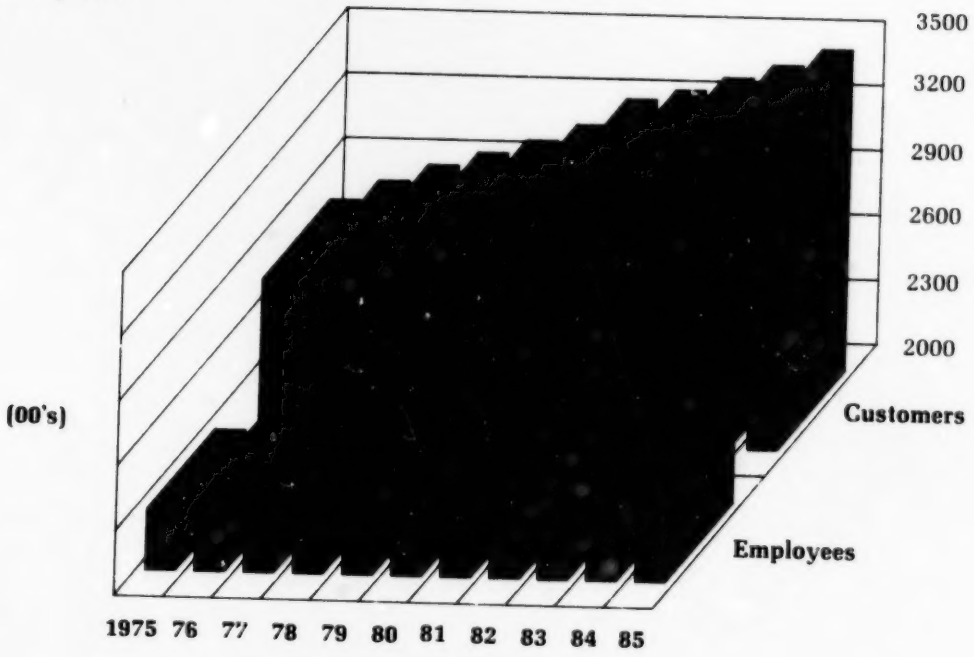
We have accomplished a great deal in stabilizing power rates and contributing to a healthy Nova Scotia economy. This trend, I am confident, will continue.

President and Chief Executive Officer

Historical Comparisons

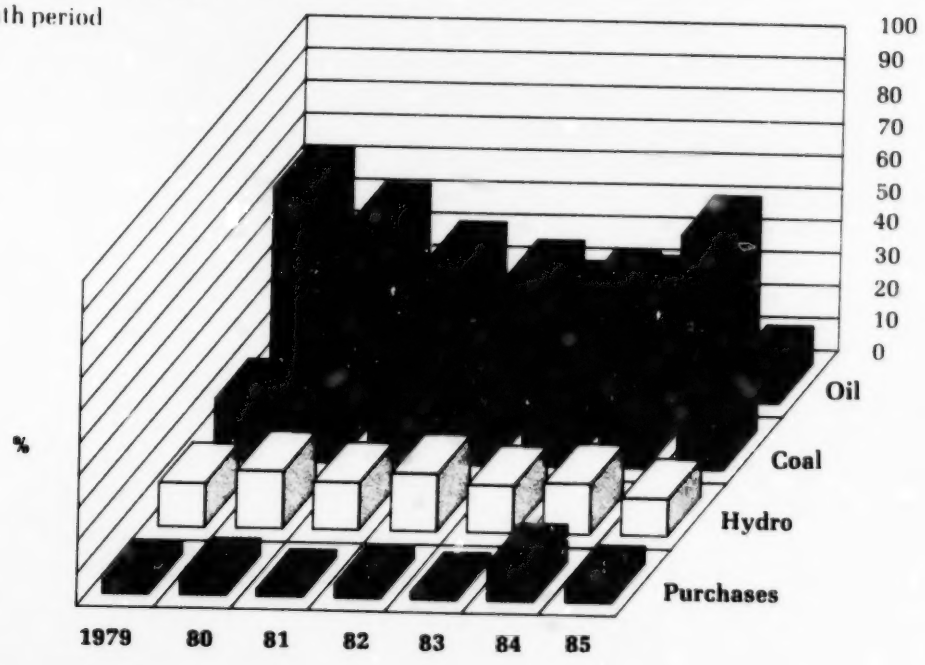
Number of Customers/Employees

for the twelve month period
ended March 31



Sources of Energy Requirement

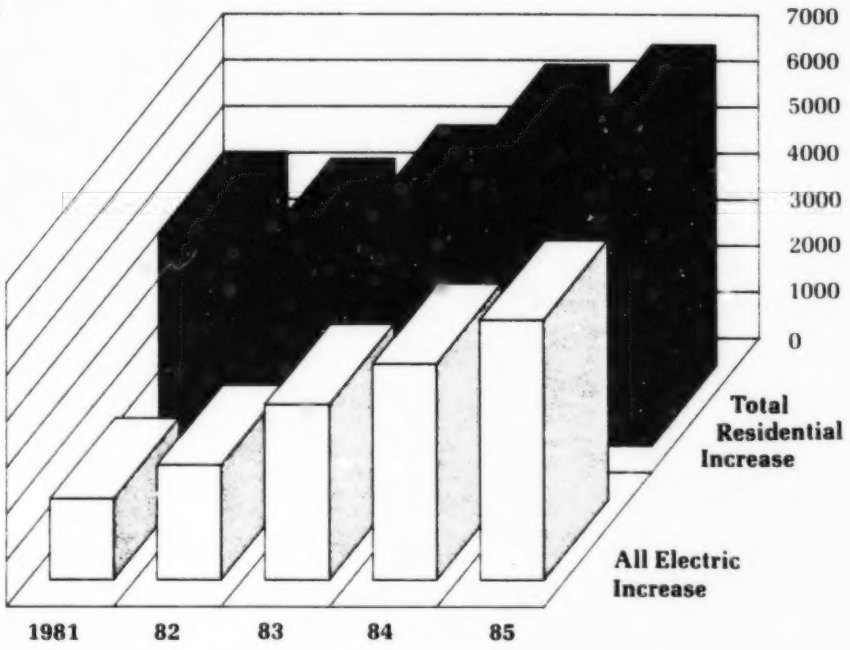
% of total for 12 month period
ended March 31



Historical Comparisons

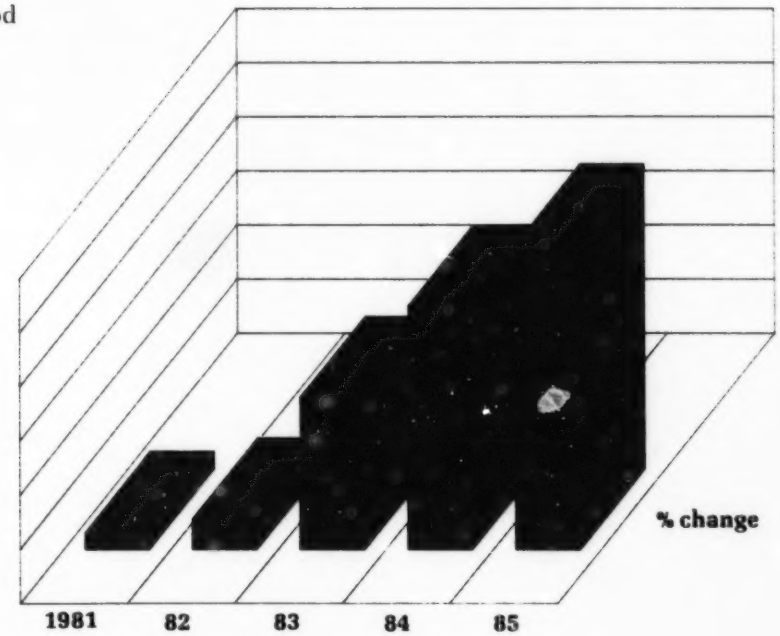
Increase in Number of Residential Services

for the twelve month period ended March 31



Productivity Increase

for the twelve month period ended March 31



A productivity increase of 0.71% was realized in 1981-82 over 1980-81. In subsequent years, productivity increases of 6.80%, 5.07% and 3.35% have occurred.

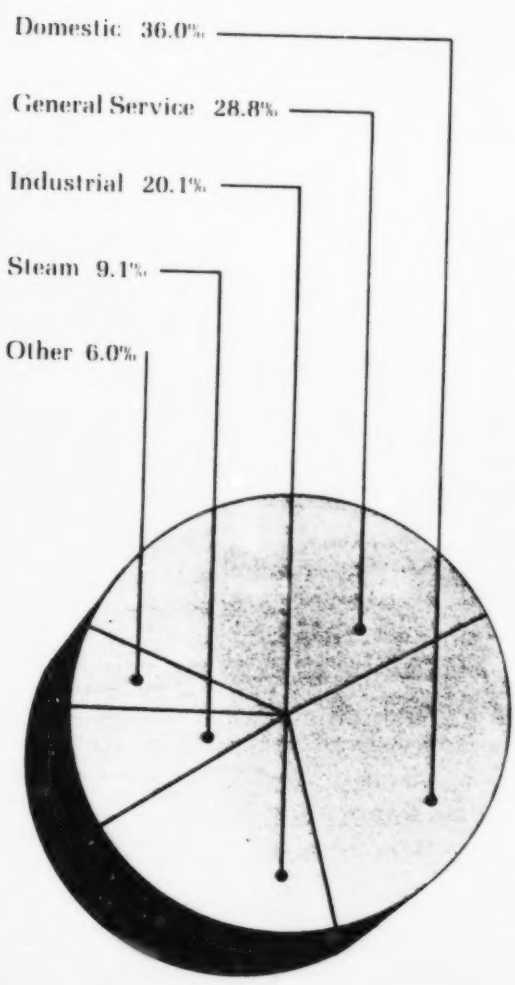
Financial Statistics

for the year ended March 31, 1985 with comparative figures for 1984

	1985	1984	Per Cent Change
	(in thousands)		
Electric Revenue	**$447,655**	$419,683	6.7
Steam Revenue	**45,478**	51,962	(12.5)
Total Cost of Operations	**368,939**	336,514	9.6
Fuel	**211,111**	178,887	18.0
Purchased Power	**8,804**	21,990	(60.0)
Depreciation	**45,828**	39,695	15.5
Interest	**128,147**	111,663	14.8
Net Proceeds from Long Term Borrowing	**98,710**	86,408	14.2
Net Additions to Fixed Assets	**77,716**	127,750	(39.2)
Net Earnings	**631**	27,904	(97.7)

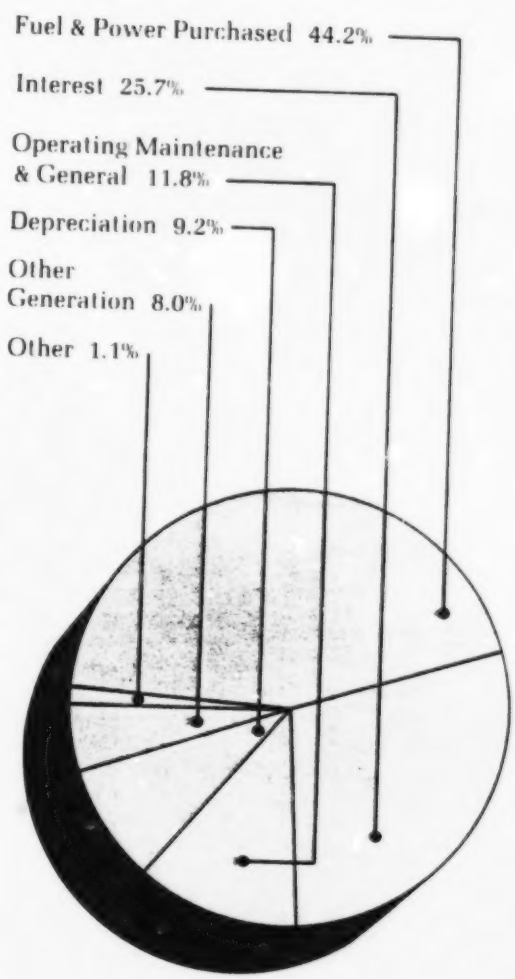
Sources of Revenue

1985 — $498 million



Uses of Revenue

1985 — $498 million



Financial Review

Fiscal 1984-85 was a satisfactory financial year for the Corporation. A new coal supply contract was finalized to provide Nova Scotian coal to fuel our existing generation plants until March 31, 1989; Lingan Unit 4 was completed ahead of schedule and under budget and continuing diligent management achieved net earnings of $631,000 with no increase in electric service rates.

Electric revenue increased $28.0 million, an increase of 6.7% over fiscal 1983-84. Additional sales of 272 million kilowatt hours helped in-province electric sales to rise $19 million or 4.6%. Electric revenue was also increased due to export sales of 409 million kilowatt hours which provided $14.4 million of revenue, an increase of $9.0 million over fiscal 1983-84.

Steam revenue experienced a decline of $6.5 million or 12.5% from reduced steam sales to AECL's heavy water plants at Glace Bay and Point Tupper. Both heavy water plants scaled down activity prior to final shutdowns scheduled during fiscal 1985-86. Net earnings were not significantly affected as this revenue is generally "cost based" and decreases in it are accompanied by offsetting cost reductions.

The total cost of operations was $368.9 million, $32.4 million or 9.6% higher than in 1983-84, primarily due to increased fuel costs of $32.2 million. Additional fossil fuel generation was needed to supply the increased energy sales and replace decreased hydro generation, both from the Corporation's system and the inter-provincial grid with New Brunswick, as eastern Canada experienced less than predicted rainfall. The amount of increase was restrained because of additional coal-fired generation from the newly operational Lingan 4. The availability of Lingan 4 as a generating source contributed to lowering oil-fired production to under 12% of generation requirement from 20% in 1984.

Operating, maintenance and general expenses increased $3.2 million or 5.7%. A restrained hiring policy resulted in staff levels decreasing for the third consecutive year, declining to 2,454 from 2,458.

Depreciation was $45.8 million in 1984-85, $6.1 million or 15.5% higher than the prior year. The increase reflects Lingan 4 and related transmission plant becoming operational during the year and a full year's depreciation on Lingan 3 which became operational late in fiscal 1983-84.

Interest expense increased $16.4 million, or 14.8% over the prior year, due primarily to a reduction of $14.1 million in interest charged to construction as the majority of major construction projects came into service early in the fiscal year. During the year, the Corporation negotiated a $100 million, 12⅛% twenty year issue dated February 14, 1985 on the Canadian domestic market.

Fixed asset spending was $77.7 million in 1984-85. The purchase of the Annapolis Tidal station and Lingan related construction were the main components of this expenditure. The completion of Lingan 4, completes the current construction program at the Lingan site. Four units have been constructed providing 600 megawatts of generation at a cost of $500 million including related substation and transmission facilities.

The net earnings for the year of $631,000 have been appropriated to the Rate Stabilization Reserve to bring the total balance of this reserve to $36.7 million.

Management Report

All information, including the consolidated financial statements in the Annual Report of Nova Scotia Power Corporation are the responsibility of management and have been approved by the Directors. Financial information presented throughout this Report is consistent with the data presented in the financial statements which are prepared in accordance with accounting principles generally accepted in Canada.

The Board of Directors carries out its responsibilities for the financial statements primarily through its Audit Committee, a majority of whom are not employees of the Corporation. The Audit Committee meets regularly with management, internal auditors and the independent auditors all of whom have full and free access to the Committee.

The independent auditors are responsible for auditing the financial statements and giving an opinion thereon.

Auditors' Report

To the Board of Directors
Nova Scotia Power Corporation

We have examined the consolidated balance sheet of Nova Scotia Power Corporation as at March 31, 1985, and the consolidated statements of operations, retained earnings, rate stabilization reserve and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Chartered Accountants

Halifax, Canada
June 14, 1985

Consolidated Statement of Operations

for the year ended March 31, 1985 with comparative figures for 1984

	1985	1984
	(in thousands)	
Revenue		
Electric — note 4	**$447,655**	$419,683
Steam	**45,478**	51,962
Other	**4,584**	4,436
	497,717	476,081
Cost of operations		
Power generated — fuel	**211,111**	178,887
— other	**39,986**	36,029
Power purchased	**8,804**	21,990
Operating, maintenance and general	**58,636**	55,448
Grants in lieu of taxes	**4,574**	4,465
Depreciation	**45,828**	39,695
	368,939	336,514
Earnings before interest	**128,778**	139,567
Interest — note 5	**128,147**	111,663
Net earnings	**$ 631**	$ 27,904

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

Consolidated Balance Sheet

as at March 31, 1985 with comparative figures for 1984

ASSETS

	1985	1984
	(in thousands)	
Fixed Assets		
Property, plant and equipment in service	**$1,566,781**	$1,385,166
Less accumulated depreciation	**424,852**	383,999
	1,141,929	1,001,167
Construction work in progress	**9,433**	118,307
	1,151,362	1,119,474
Current assets		
Cash	**89**	82
Short-term investments at cost	**53,052**	42,515
Accounts receivable	**52,927**	44,237
Unbilled revenue	**30,275**	40,033
Inventories at cost	**64,874**	63,893
Prepaid expenses	**1,416**	1,455
	202,633	192,215
Long-term receivables	**586**	5,896
Deferred charges less amortization		
Unrealized foreign exchange costs	**63,068**	60,758
Financing costs	**16,108**	16,229
	79,176	76,987
	$1,433,757	$1,394,572

APPROVED ON BEHALF OF THE CORPORATION

President and Chief Executive Officer

Vice-President and Chief Financial Officer

Consolidated Balance Sheet

as at March 31, 1985 with comparative figures for 1984

LIABILITIES AND EQUITY

	1985	1984
		(in thousands)
Long-term debt — note 1		
Bonds and debentures	**$1,332,960**	$1,242,573
Notes		
Province of Nova Scotia	**61,016**	65,037
Government of Canada	**50,348**	52,067
Other	**24,203**	28,659
	1,468,527	1,388,336
Less		
Payable within one year — note 1	**31,574**	43,197
Sinking funds — note 2	**180,538**	141,366
	212,112	184,563
	1,256,415	1,203,773
Current liabilities		
Bank indebtedness	**2,095**	2,043
Accounts payable and accrued charges	**36,464**	40,605
Customers' deposits and accrued interest	**1,369**	1,750
Accrued interest on long-term debt	**40,487**	39,977
Long-term debt payable within one year	**31,574**	43,197
	111,989	127,572
Deferred credits	**6,522**	5,027
Equity		
Contributed surplus	**13,327**	13,327
Rate stabilization reserve	**36,698**	36,067
Retained earnings	**8,806**	8,806
	58,831	58,200
	$1,433,757	$1,394,572

Commitments — note 3

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

Consolidated Statement of Retained Earnings

for the year ended March 31, 1985 with comparative figures for 1984

	1985	1984
		(in thousands)
Balance at beginning of year	**$ 8,806**	$ 8,806
Net earnings	**631**	27,904
	9,437	36,710
Appropriation to rate stabilization reserve	**631**	27,904
Balance at end of year	**$ 8,806**	$ 8,806

Consolidated Statement of Rate Stabilization Reserve

for the year ended March 31, 1985 with comparative figures for 1984

	1985	1984
		(in thousands)
Balance at beginning of year	**$36,067**	$ 8,163
Appropriation from retained earnings	**631**	27,904
Balance at end of year	**$36,698**	$36,067

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

for the year ended March 31, 1985 with comparative figures for 1984

	1985	1984
	(in thousands)	
Source of working capital		
Operations		
Net earnings	**$ 631**	$ 27,904
Items not requiring an outlay of funds		
Depreciation	**45,828**	39,695
Amortization of deferred charges	**4,214**	6,747
	50,673	74,346
Decrease in long-term receivable	**5,310**	2,169
Proceeds from long-term borrowings less discount	**98,710**	86,408
Other transactions	**1,496**	1,276
Decrease in long-term debt payable within one year	**11,623**	—
	167,812	164,199
Use of working capital		
Net additions to fixed assets	**77,716**	127,750
Repayment of long-term debt	**31,939**	12,064
Increase in sinking funds on long-term debt	**32,156**	25,377
Increase in long-term debt payable within one year	**—**	21,415
	141,811	186,606
Increase (decrease) in working capital	**26,001**	(22,407)
Working capital at beginning of year	**64,643**	87,050
Working capital at end of year	**$ 90,644**	$ 64,643

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

Summary of Significant Accounting Policies

March 31, 1985

Consolidation

The consolidated financial statements include the accounts of Nova Scotia Power Corporation and its wholly-owned subsidiaries, Nova Scotia Light and Power Company, Limited and Eastern Light & Power Company Limited.

Regulation

The Corporation is a crown corporation of the Province of Nova Scotia engaged in the production and sale of electric energy and steam, and is regulated by the Board of Commissioners of Public Utilities for the Province of Nova Scotia pursuant to the Public Utilities Act.

Property, Plant and Equipment

The property, plant and equipment of the Corporation are recorded at original cost net of contributions in aid of construction. Expenditures for additions, replacements and improvements, which are comprised of direct labour, material, engineering, and related overhead costs, are capitalized whereas repairs and maintenance are charged to operations. Interest on funds used during construction is capitalized monthly at an interest rate which represents the effective cost of capital determined at the preceding fiscal year end. For property replaced or renewed the original cost plus removal cost less salvage is charged to accumulated depreciation.

The excess of the Corporation's investment over the book value of subsidiaries and acquired power utilities was $30,197,000. This amount is being amortized on a straight line basis over terms ranging from 11-30 years. At March 31, 1985, the unamortized value included in the fixed assets of the Corporation was $13,958,000.

Depreciation is provided for by the Corporation on a straight line basis, based on useful life. The estimated useful lives for the major categories of plant in service are summarized as follows:

Functions	Useful Life in Years
Hydraulic Generation	63.6
Steam Generation	29.7
Gas Turbine Generation	23.8
Transmission	39.8
Distribution	29.4
General Plant	17.0

Summary of Significant Accounting Policies

March 31, 1985

Property, Plant and Equipment (Continued)

Depreciation expense for the year ended March 31, 1985 included $1,195,000 representing amortization of the excess of investment over book value of acquired utilities.

Foreign Currency Translation

Foreign currency amounts are translated into Canadian funds substantially in accordance with the temporal method of foreign currency translation, whereby assets and liabilities so denominated are categorized as monetary or non-monetary items as follows:

(a) Monetary items:

Cash, other current assets and liabilities, sinking funds and long-term debt are converted to Canadian dollars at the rate of exchange prevailing at the balance sheet date. The resulting differences between the translation at the original transaction date and the balance sheet date that relates to long-term debt less sinking funds are shown on the balance sheet under deferred charges.

These costs are amortized to operations over the remaining life of the debt issue or the period over which the related sinking fund will retire the debt issue, whichever is less.

(b) Non-monetary items:

Fixed assets originally acquired in foreign currencies are translated to Canadian dollars at historical exchange rates.

(c) Revenue and expense items, including interest expense on long-term debt, are reflected in operations at the rate of exchange on the date of the transaction together with any other exchange gains or losses realized from transactions affecting current operations.

Notes to Consolidated Financial Statements

March 31, 1985

1. LONG-TERM DEBT

Long-term debt (guaranteed by Province of Nova Scotia) is expressed in Canadian dollars, at rates in effect at balance sheet date and summarized by years of maturity and by currency payable is as follows:

	1985				1984	
Years of Maturity	**Principal Outstanding**			**Weighted Average Coupon Rate**	**Principal Outstanding**	**Weighted Average Coupon Rate**
	Canadian	**Foreign**	**Total**	**%**	**Total**	**%**
	(in thousands)				(in thousands)	
1985	$ —	$ —	**$ —**		$ 36,172	
1986	10,104	6,562	**16,666**		17,398	
1987	89,394	42,788	**132,182**		130,516	
1988	109,336	10,663	**119,999**		120,460	
1989	9,478	6,204	**15,682**		15,681	
1990	5,413	39,695	**45,108**		—	
1-5 Years	223,725	105,912	**329,637**	12.49	320,227	12.35
6-10 Years	108,487	30,997	**139,484**	7.46	182,873	7.91
11-15 Years	167,574	95,690	**263,264**	9.33	157,078	8.41
16-20 Years	509,366	68,350	**577,716**	11.10	575,607	10.86
21-25 Years	54,930	102,525	**157,455**	10.16	150,613	10.18
26-30 Years	971	—	**971**	7.03	1,938	7.44
	$1,065,053	$403,474	**$1,468,527**	10.65	$1,388,336	10.46
Currency payable:						
Canadian dollars			**$1,065,053**	11.30	$ 984,907	11.14
United States dollars			**348,585**	9.23	334,443	9.22
Swiss francs			**41,512**	6.75	46,841	6.75
Deutsche marks			**13,377**	7.00	22,145	7.00
			$1,468,527	10.65	$1,388,336	10.46

Long-term maturities and sinking fund requirements, including those in foreign currencies translated to Canadian currency at March 31, 1985 are as follows:

Year Ending March 31	(in thousands)
1986	**$ 31,574**
1987	**130,783**
1988	**120,202**
1989	**27,306**
1990	**55,639**
	$365,504

Notes to Consolidated Financial Statements

March 31, 1985

2. SINKING FUNDS

Sinking funds, including those in foreign currencies, consist of securities and cash held by the Corporation and trustees for the redemption of certain debt issues. Certain issues of bonds and debentures requiring annual redemption for sinking fund purposes provide that the Corporation may satisfy its obligation by purchasing bonds or debentures on the open market at any time prior to the due date at prices not exceeding 100% of the principal amount thereof.

The sinking funds in foreign currency were translated to Canadian currency at exchange rates in effect at March 31, 1985.

3. COMMITMENTS

(a) As at March 31, 1985, the Corporation was constructing generation, transmission and other facilities estimated to cost approximately $54.5 million of which approximately $9.4 million has been expended and an additional $9.3 million has been committed under contract.

(b) The Corporation's employees are covered by the Public Service Superannuation Plan of the Province of Nova Scotia under which contributions are made equally by the Corporation and the employees.

The Corporation provides pension benefits to employees of acquired utilities, additional to those which are payable under the existing plans for years of service prior to acquisition. According to the most recent actuarial valuation, completed as of December, 1983, $12 million of past service liability under one of these plans is unfunded. The annual amount required to fund this past service cost is $1.2 million for 18 years.

4. ELECTRIC REVENUE

Electric revenue includes payments from the Province of Nova Scotia, of rate assistance on behalf of Corporation customers, of $34,951,000 for the current year ($35,694,000 — 1984).

Electric service is provided to the Province of Nova Scotia and its agencies at the appropriate class rates as approved by the Board of Commissioners of Public Utilities for the Province of Nova Scotia.

Notes to Consolidated Financial Statements

March 31, 1985

5. INTEREST

	1985	1984
	(in thousands)	
Interest on long-term debt	**$138,970**	$132,818
Amortization of financing costs	**1,445**	1,437
Interest on short-term borrowings	**909**	288
Foreign exchange costs realized	**11,107**	8,666
Amortization of unrealized foreign exchange costs	**2,803**	5,311
Other	**207**	242
	155,441	148,762
Less		
Interest charged to construction	**4,599**	18,748
Sinking fund earnings	**18,096**	14,397
Other investment income	**4,599**	3,954
	27,294	37,099
	$128,147	$111,663

6. RELATED PARTY TRANSACTIONS

Related party transactions are disclosed elsewhere in the consolidated financial statements.

Comparative Statistics

(for twelve month period ended March 31)

	1985	1984	1983	1982	1981
Electric Energy Generated and Purchased (Thousand kW.h):					
Generated (net)	**7,002,376**	6,016,378	6,240,901	6,194,731	6,407,474
Purchased	**409,898**	772,593	128,774	284,886	116,866
	7,412,274	6,788,971	6,369,675	6,479,617	6,524,340
Losses & Internal Use	**677,913**	542,470	547,363	576,209	530,922
Total Electric Energy Sold	**6,734,361**	6,246,501	5,822,312	5,903,408	5,993,418
Energy Sales Billed (Thousand kW.h):					
Domestic Service	**2,337,509**	2,102,796	1,988,127	1,904,947	1,868,208
General Service	**1,811,013**	1,685,649	1,638,467	1,617,079	1,573,053
Industrial Power	**2,045,128**	1,990,024	1,904,744	2,045,931	2,089,092
Municipalities	**191,199**	182,123	176,331	176,752	185,203
Unmetered Services	**72,928**	71,862	70,749	70,545	70,117
Total In-Province Billed Energy Sales	**6,457,777**	6,032,454	5,778,418	5,815,254	5,785,673
Increase (decrease) in Unbilled Sales	**(132,114)**	21,226	15,666	8,958	27,740
Grid Sales	**408,698**	192,821	28,228	79,196	180,005
Total Electric Energy Sales	**6,734,361**	6,246,501	5,822,312	5,903,408	5,993,418
Electric Revenue Billed (Thousand $):					
Domestic Service	**$ 179,173**	$ 160,186	$ 119,294	$ 111,987	$ 109,782
General Service	**143,504**	132,656	101,600	97,120	94,337
Industrial Power	**99,969**	96,085	73,420	74,262	73,132
Municipalities	**9,922**	9,479	7,299	6,928	7,280
Unmetered Services	**10,457**	10,124	7,815	7,426	7,253
Total In-Province Electric Revenue	**443,025**	408,530	309,428	297,723	291,784
Increase in Unbilled Revenue	**(9,758)**	5,778	5,741	1,040	1,335
Grid Sales	**14,388**	5,375	831	2,456	5,023
Deferred Revenue	**—**	—	—	—	6,276
Total Electric Revenue	**$ 447,655**	$ 419,683	$ 316,000	$ 301,219	$ 304,418
Average Unit Revenue per kW.h Billed					
Domestic Service	**7.67¢**	7.62¢	6.00¢	5.88¢	5.88¢
General Service	**7.92¢**	7.87¢	6.20¢	6.01¢	6.00¢
Industrial Power	**4.89¢**	4.83¢	3.85¢	3.63¢	3.50¢
Municipalities	**5.19¢**	5.20¢	4.14¢	3.92¢	3.93¢
Unmetered Service	**14.34¢**	14.09¢	11.05¢	10.53¢	10.34¢
All Classifications Combined	**6.86¢**	6.77¢	5.35¢	5.12¢	5.04¢
Number of Employees	**2,454**	2,458	2,521	2,568	2,548
Number of Customers	**348,146**	341,006	334,205	328,856	323,014
km of Transmission Lines (69 kV & Over)	**4,945**	4,765	4,631	4,435	4,452
km of Distribution Lines (36 kV & Under)	**21,694**	21,595	20,812	20,536	19,741
Cost of Fuel (Thousand $) — Coal	**$ 136,182**	$ 78,420	$ 71,021	$ 55,848	$ 61,809
Oil	**74,929**	100,467	118,856	115,971	98,030
Total	**$ 211,111**	$ 178,887	$ 189,877	$ 171,819	$ 159,839

Engineering and Production

The Lingan No. 4 coal-fired generating unit and the Annapolis Tidal Power Station were added to the Corporation's system last year.

Lingan No. 4 began commercial operation on June 30, 1984, three months ahead of the forecast starting date, the fourth 150-megawatt unit at the plant to be completed ahead of schedule and under budget. This meant that total capital cost savings for all units, in comparison with original budget approvals, approximated $99 million.

The 17.8 megawatt Annapolis unit was placed in commercial operation on August 11, 1984. The level of reliability of the unit was exceptionally high during the ensuing months with the unit generating 98 per cent of the available tide cycles.

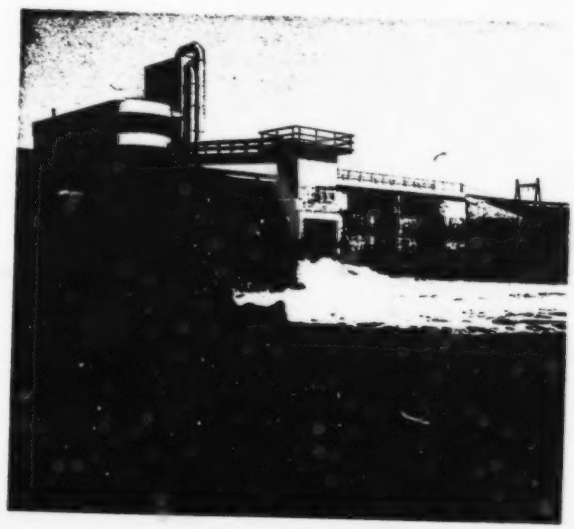
During the past year construction of three new transmission lines was completed, including 73 kilometres of 345,000 volt line from Onslow to Brushy Hill, 86 kilometres of 230,000 volt line from Brushy Hill to Bridgewater, and the 19 kilometres of 69,000 volt line to the Rio Algom Tin Mine in Yarmouth County.

Additionally, a right-of-way was cleared from Brushy Hill to Lakeside for construction of a new 230,000 volt line in 1985; design was commenced for a new 69,000 volt supply between Dartmouth, Porters Lake and Musquodoboit Harbour; and clearing was commenced for a 138,000 volt line between Milton and Tusket.

A new switching station was established at Springhill, together with an increase in transformer capacity at Pugwash, to give greater security of supply to the northern area of the province.

Total electric energy requirements last year amounted to 7,412,273,000 kilowatt hours. To meet this demand the Corporation relied on an indigenous fuel — coal — to generate 71.4 per cent of its total. Oil accounted for 11.5 per cent, hydro 11.6 per cent and purchase totalled 5.5 per cent.

Frank Yates, Construction Superintendent, Lands and Rights.



The Annapolis Tidal Power Plant

The largest producer in the province was the Lingan Generating Station which provided 3,980,135,000 kilowatt hours, or 54 per cent of system requirements, followed by the Trenton Generating Station which produced 1,031,000 kilowatt hours.

In total, Corporation thermal stations used 2,471,000 tonnes of coal and 2,086,000 barrels of oil during 1984-85.

Below normal precipitation throughout most of the year resulted in runoff which was well below normal on all of the hydro systems. Production for the year of 847,202,000 kilowatt hours was 13 per cent below normal.

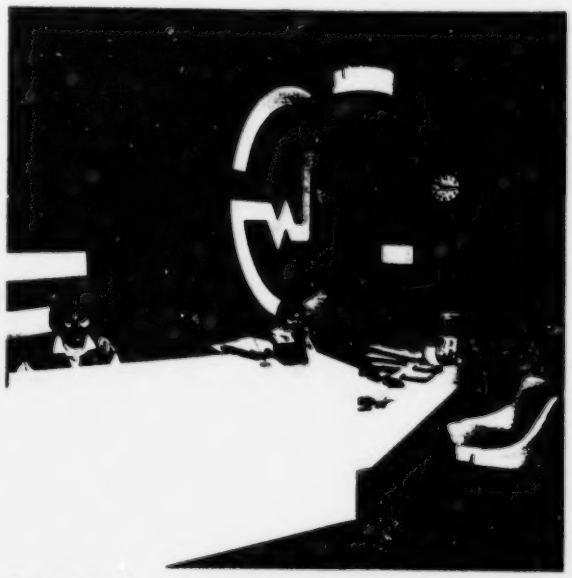
Employees

The initial series of President-Employee meetings were completed during the past year. The success of these meetings — 19 in total — is being manifested through the implementation of a number of measures in direct response to employee concerns. These include employee development and employee benefits.

Joe Malcolm and Kim Giles of the Civil Engineering group.

The Corporation's reorganization includes the establishment of an Organization and Employee Development Division responsible for organization development, including planning and design, and human resource planning, training and development and employee communications. Additionally, greater co-operation between departments and improved employee relations will be addressed.

Several improvements were made last year in the area of employee benefits, including the Public Service Award and Pension Plans and survivors' benefits.



Betty Martin, Wendy Coleman and Ann Langille, part of the Cashier and Inquiry team.

In the area of safety, the Corporation, for the third consecutive year, earned the Canadian Electrical Association Accident Frequency Reduction Award by reducing the number of accidents by 25 per cent when compared to the previous three year rate.

Union-management relations continue to be positive. All three collective agreements were re-negotiated during the past year.

The contribution by employees has been noteworthy in the operational successes of the past year and improved customer relations. In community related activities, the high level of involvement continued. The Corporation's employees' charitable fund raised over $49,000 last year to assist various charities and agencies throughout the province. Additionally, employee organized participation in several other events throughout the province raised an additional $13,000 for specific causes.

Research and Development

The Corporation is continually examining all possible avenues to best serve its customers in the areas of generation, transmission and distribution utilizing state-of-the-art technology.

In 1985 the Corporation will commence conversion of the 150 megawatt No. 2 unit at the Point Tupper Generating Station from oil to coal. The $100 million conversion will benefit all electrical consumers in the province.

With an anticipated load growth of approximately 3.8% per year for the next five years, the Corporation's use of expensive imported oil would have increased to 18% by 1988/89.

The conversion of Point Tupper No. 2 unit to coal-firing will reduce the consumption of oil to 10%, providing a net saving to the Corporation, over the life of the plant, of *$135 million* because of lower production costs.

The Corporation's search for efficient alternate methods of power generation is an ongoing one. Although not considered practical for meeting large-scale needs in Nova Scotia at present, the merits of unconventional sources, such as fuel-grade peat and wood and wood wastes, are continually being reviewed. Research is also being conducted in the area of co-generation.

Units 3 and 4 at the Lingan Generating Station.

Environment

In fulfilling an objective to serve the people of Nova Scotia in the most efficient manner possible, the Corporation has given high priority to the environment in all areas of its operations.

Extensive studies have been undertaken relative to stack emissions at our thermal plants and have resulted in new operating procedures, improved combustion methods and the installation of sophisticated monitoring and sampling equipment at several locations.

The Corporation's hazardous waste management program received considerable emphasis during the past year, particularly the inventory and future management of polychlorinated biphenyls (PCBs). At year end the Corporation's PCB inventory totalled 13,000 litres, approximately three per cent of PCBs in Nova Scotia. Initial steps were undertaken for the preparation of a plan to remove and store existing equipment containing PCBs subject to approval by the Department of Environment and the availability of a disposal facility.

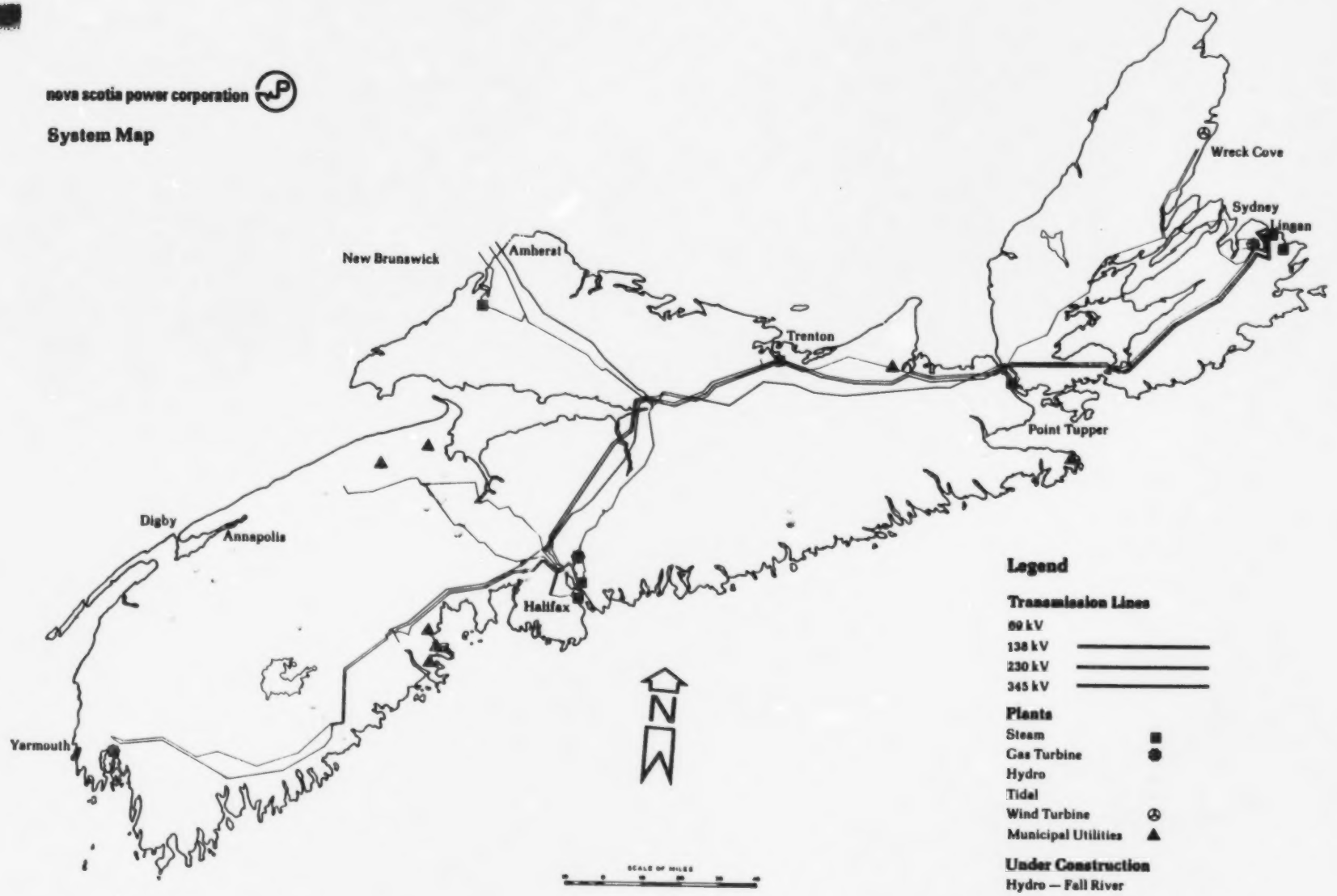
Other environmental activity centered around monitoring the impact of herbicide application, relocation of osprey nests along Corporation transmission lines and a corporate-wide noise monitoring program.

Over the past two years the Corporation has been actively involved in research in the field of Atmospheric Fluidized Bed Combustion. NSPC has conducted a 10,000 hour corrosion test at its Point Tupper test unit addressing several metallurgical issues in fluid bed systems, under the sponsorship of the National Energy Program as administered by the Department of Energy, Mines and Resources (Canada).

Fluidized Bed Combustion is viewed as an advanced method of burning coal in combination with a solvent such as limestone thereby greatly reducing sulphur dioxide emissions. This technology is expected to realize full commercialization prior to the end of the century.

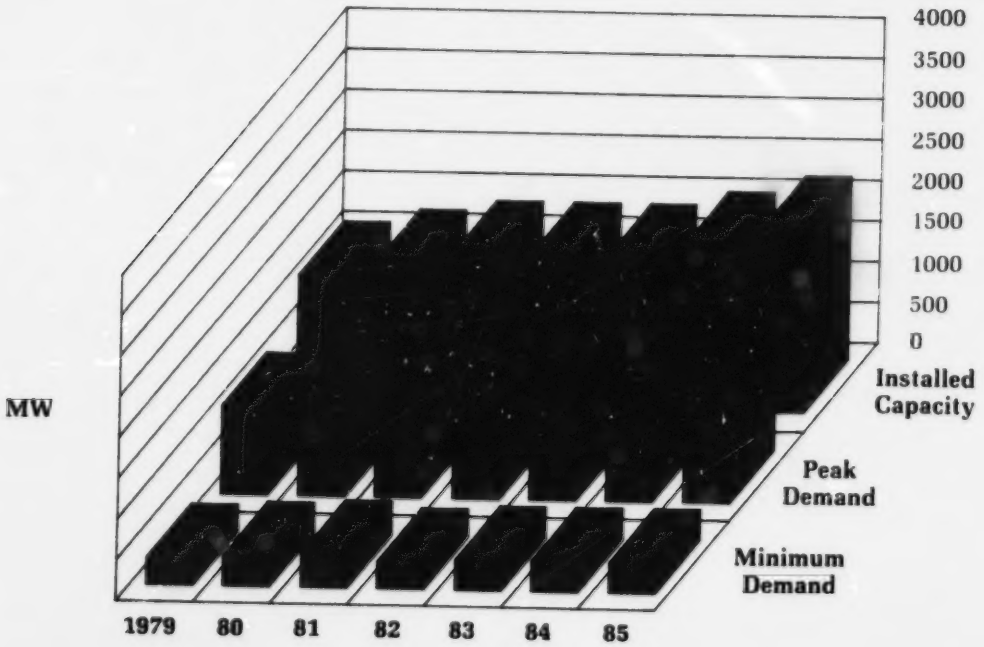
nova scotia power corporation

System Map



Generation Statistics

	Installed Capacity in kW	1984-85 Generation (kW.h × 1,000)
STEAM		
Lingan	601,800	4,231,730
Tufts Cove	350,000	613,460
Point Tupper	230,750	272,854
Trenton	210,000	1,098,388
Water Street	165,000	—
Glace Bay	96,000	355,343
Maccan	15,000	10,070
	1,668,550	6,581,845
GAS TURBINE	179,845	2,015
HYDRO		
Total 32 Plants	361,402	852,788
TIDAL	19,458	15,432
WIND TURBINE	300	2
TOTAL CAPACITY	2,229,555	
TOTAL GENERATION		7,452,082
Less: Station Service		449,706
NET GENERATION		7,002,376
Purchases		409,898
Inter-Provincial Sales (to NBEPC)		(408,698)
NET REQUIREMENT		7,003,576



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QUALITY
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